



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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House Approves Democratic Motion Rejecting Harmful Cuts in Reconciliation Spending Bill

Dear Democratic Colleague:

Tonight, the House voted 246-175 to approve a motion that I offered instructing House conferees to reject a number of harmful cuts contained in the House-passed reconciliation spending bill. Forty-nine Republicans joined unanimous Democratic support to pass the motion.

The spending cut bill is being considered as part of a fast-track reconciliation process pairing spending cuts with even larger tax cuts, producing a net increase in the deficit. As a result, the spending cuts that emerge from the conference committee will not be used to reduce the deficit, but rather to help pay for the cost of the reconciliation tax cuts largely benefitting high-income taxpayers.

Both the House and the Senate bills contain numerous harmful cuts. The motion highlights key priorities by instructing conferees to drop provisions cutting food stamps and child support, eliminating the Byrd Amendment, and allowing a giveaway of federal lands. The motion also instructs conferees to reject the House position on Medicaid, adopt some Senate Medicare positions, and reject the House increases in fees and interest rates on student loans. More specifically, the motion instructs conferees to:

Democratic Motion to Instruct:	
Safety Net	Reject food stamp cuts and reject deep House cuts to Medicaid that negatively affect beneficiaries.
Education	Reject new fees and higher interest rates on student loans.
Responsibility	Eliminate \$4.9 billion of cuts in child support enforcement.
Fairness Seniors	Retain the Byrd Amendment. Cut subsidies to HMOs and block a cut to physician payments.
Taxpayers	Stop raid on federal lands.

Preserve the Safety Net — The motion instructs conferees to eliminate House provisions cutting food stamps by \$697 million and to reject the deep Medicaid cuts in the House bill that will negatively affect beneficiaries.

Protect Access to Higher Education — The motion instructs conferees to reject billions of dollars of new fees and higher interest rates that borrowers will pay on student loans under the House bill, and to accept the Senate provision that provides \$8.0 billion for enhanced Pell Grants.

Support Personal Responsibility — The motion instructs conferees to eliminate the House cuts of \$4.9 billion in federal spending on child support programs run by states.

Uphold Fairness to Workers and Businesses — The motion instructs conferees to eliminate a House provision that would prevent hundreds of companies harmed by unfair foreign trade from receiving some compensation through the Continued Dumping and Subsidy Offset Act (the “Byrd Amendment”).

Improve Health Care for Seniors — The motion instructs conferees to accept Senate provisions that cut subsidies to Medicare private plans and that prevent a planned cut of 4.4 percent in physician payments next year.

Protect Taxpayers and the Environment — The motion instructs conferees to protect taxpayer-owned property and the environment by eliminating House provisions that sell federal lands at below-market value and expose them to purchase and commercial development.

The following pages provide additional background on each of these elements.

Preserving the Safety Net: Food Stamps and Medicaid

The motion instructs conferees to preserve the safety net for those in need by eliminating House provisions that cut food stamps by \$697 million – cuts not included in the Senate bill – and by rejecting the deep House cuts to Medicaid.

The Congressional Budget Office estimates that 185,000 people, primarily working families with children, will lose food stamps under a House provision that makes it more difficult for families receiving non-cash services through the Temporary Assistance for Needy Families program to qualify for food stamps. The House bill also lengthens the waiting period for legal immigrants to qualify for food stamps from five to seven years, which will cause 70,000 legal immigrants to lose food stamps. The motion instructs conferees to eliminate these House cuts.

The House bill also cuts Medicaid by \$11.0 billion over five years, nearly double the \$6.1 billion in cuts approved by the Senate. The bulk of the House cuts – over \$8 billion – will fall directly on beneficiaries in the form of higher co-pays, premiums, and other provisions that cut benefits or delay access to Medicaid coverage. The motion instructs conferees to reject the Medicaid cuts included in the House bill that will be harmful to beneficiaries.

Protecting Access to Education: Student Loans and Pell Grants

The motion instructs conferees to maintain access to higher education by rejecting the provisions in the House bill that raise student loan interest rates and student-paid fees, and by receding to the Senate provisions that do not include these new fees and that provide \$8.0 billion for enhanced Pell Grants.

Supporting Personal Responsibility: Child Support Enforcement

Conferees are instructed to eliminate the House cuts of \$4.9 billion in federal spending on child support programs run by states, and instead to recede to the Senate bill, which does not cut child support enforcement.

The Congressional Budget Office estimates that the House reconciliation bill will reduce child support collections by \$7.9 billion over five years and by \$24.1 billion over ten years. Most of the savings result from reducing the federal matching rate to states from 66 percent to 50 percent of program costs. This cut will reduce states’ capacity to help families establish legal child support orders and enforce orders to make sure that child support owed actually gets paid. This in turn will reduce the resources available to single parents and

harm efforts to strengthen families by keeping both parents financially and emotionally involved in their children's lives.

Upholding Fairness to Workers and Businesses: The Byrd Amendment

The motion instructs conferees to ensure that hundreds of U.S. companies harmed by unfair foreign trade will receive some compensation through the Continued Dumping and Subsidy Offset Act, commonly known as the Byrd Amendment. The House bill repeals the Byrd Amendment, but the Senate bill does not.

The House bill saves \$3.2 billion over five years by repealing the Byrd Amendment, a provision that ensures that customs duties of about \$300 million are distributed annually to U.S. companies harmed by unfair foreign trade practices. Since 2001, 770 companies have benefitted from this provision and used these funds to remain competitive with foreign business. The repeal of the Byrd Amendment is widely opposed in the Senate, with over 70 Senators publicly stating their support for the law.

Improving Health Care for Seniors: Medicare

The motion instructs conferees to preserve Medicare as a strong source of seniors' health care by receding to Senate provisions that reduce overpayments in Medicare and that prevent a planned cut of 4.4 percent in physician payments next year. The House bill makes no changes to Medicare.

The Senate bill minimizes its Medicaid cuts by reducing overpayments and making other changes that will make Medicare more efficient, while the House bill targets all of its health-related cuts on Medicaid. Because seniors will have numerous choices next year with 65 regional private preferred provider organization (PPO) plans in 21 regions, the Senate bill eliminates a "slush fund" designed to entice PPOs into the Medicare program, saving \$4.8 billion over five years. The Senate bill saves another \$5.7 billion by putting into law an Administration policy to phase out extra payments that currently go to private health care plans serving healthier, and thus cheaper, beneficiaries. Finally, the motion instructs conferees to accept a provision in the Senate bill that will prevent a planned 4.4 percent cut in physician payments and instead provide a 1.0 percent increase for 2006. These provisions together save \$1.9 billion over five years.

Protecting Taxpayers and the Environment

The motion instructs conferees to eliminate the House bill's provisions relating to mining and instead to recede to the Senate bill, which does not include any such provisions.

The House bill repeals the ban on mining patents and allows mining companies and individuals to acquire federal land for \$1,000 per acre. This is an increase over established levels but often fails to reflect fair market value as it accounts only for the price of the surface and not for the value of the minerals underneath. The House bill also gives companies the right to mine regardless of whether there is a valuable mineral deposit within the claim, exposing millions of acres of federal land to potential purchase and commercial development. By simply claiming an interest in mining an area, companies could buy public lands for any private use. The motion instructs conferees to eliminate the mining provisions.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member